

# **PUBLIC DISCLOSURE**

**March 30, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Sabine State Bank and Trust Company  
Certificate Number: 8141**

**297 Elizabeth Street  
Post Office Box 670  
Many, Louisiana 71449**

**Federal Deposit Insurance Corporation**

**Division of Supervision and Consumer Protection  
1910 Pacific Avenue, 19th Floor  
Dallas, Texas 75201**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Sabine State Bank and Trust Company** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **March 30, 2005**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

***INSTITUTION'S CRA RATING:*** This institution is rated **Satisfactory**.

Sabine State Bank and Trust Company received a rating of “Satisfactory” at the previous FDIC Community Reinvestment Act evaluation conducted April 18, 2002 using small bank procedures. This evaluation is the first for Sabine State Bank and Trust Company using large bank procedures.

Examiners reviewed tests and performance factors applicable to large banks when reviewing performance for this forty-one office, \$426 million bank headquartered in Many, Louisiana. Large banks are evaluated under the Lending, Investment, and Service Tests. The Lending Test is weighted more heavily when arriving at the overall rating. Individual ratings for lending, investments, and service tests are summarized below and depicted in the summary chart following. Detailed performance under each test is noted elsewhere in this evaluation. The rating matrix on the following page indicates the bank’s performance level regarding these tests.

### **Lending Test**

The bank exhibited a reasonable performance under the Lending Test with a rating of “High Satisfactory” assigned. A strong record of community development lending and a good record of affording loans to businesses of different sizes primarily support the Lending Test rating. Examiners relied on the review of small business and residential mortgage loans when arriving at conclusions for this test. More weight was given the bank’s records regarding small business loans due to the substantial volume in the loan portfolio. A high percentage of loans were made within the bank’s assessment area, 95 percent by number and 93 percent by dollar volume. The record reflects a reasonable distribution of small business loans to small businesses and residential lending reveals a good distribution to low- and moderate-income borrowers.

With community development lending, the bank has been a major participant to businesses primarily for revitalizing and stabilizing low-to-moderate income (LMI) geographies, assisting city governments for community improvements, and funding nonprofit organizations for affordable housing and residential subdivisions targeting low- and moderate-income individuals. The bank has funded 10 loans totaling \$27.2 million and brief description of the community development lending is discussed in this report.

### **Investment Test**

Sabine State Bank and Trust Company demonstrated a good record with regard to the Investment Test receiving a rating of “Low Satisfactory”. The dollar amount of investments, their responsiveness to community development needs, and their innovativeness and complexity all support the conclusion. The dollar amount of qualified investments is considered with respect to

the bank's capacity, available opportunities, and the credit needs of the assessment area. The combined qualified investments for 2003 and 2004 are approximately \$6.6 million. This figure represents 1.6 percent and 21.5 percent of total assets and total equity, respectively. The balance of the qualified investments is in donations and grants to charitable organizations and total \$76,000 for the years 2002 through 2004.

## Service Test

Sabine State Bank and Trust Company demonstrated excellent overall performance with regard to the Service Test receiving a rating of "Outstanding". The bank's strong record of providing community development services, supported primarily by the institution's initiative and innovative work with the Money Smart Program and the Literacy Council. This along with a strong record of providing retail banking services through the branch banking network and providing alternative delivery systems support the rating.

### LENDING, INVESTMENT, AND SERVICE TEST TABLE

*The following table indicates the performance level of **Sabine State Bank and Trust Company** with respect to the lending, investment, and service tests.*

PERFORMANCE LEVELS	<u>Sabine State Bank and Trust Company</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

*\*The lending test is weighed more heavily than the investment and service tests when arriving at an overall rating.*

## DESCRIPTION OF INSTITUTION

### *Background*

Sabine State Bank and Trust Company, is headquartered in Many, Louisiana, with forty-one branch offices established in a total of sixteen parishes in Louisiana (including two areas classified as Metropolitan Statistical Areas (MSA) and fourteen parishes in non-MSA areas) and one county in Texas. Each branch office is equipped with an automated teller machine (ATM) for service and convenience. In addition, there are 57 ATMs located throughout the bank's assessment area. The bank also provides phone banking and limited internet banking.

### *Ability and Capacity*

The bank's primary business focus is commercial and residential lending; as indicated by a construction/land development/commercial purpose lending level of 62 percent and a residential real estate lending level of 25 percent. The bank offers a full line of loan and deposit products. As of December 31, 2004, the bank reported assets of \$426,236,000, and deposits of \$371,309,000. The loan-to-deposit ratio for this same time period was 70 percent. The Report of Condition as of December 31, 2004 is depicted in Table 1.

<b>Table 1 – Report of Condition as of December 31, 2004</b>		
<b>Assets</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Assets (%)</b>
<i>Net Loans and Leases</i>	268,862	63
<i>Cash and Due From Depository Institutions</i>	23,612	6
<i>Securities and Federal Funds Sold</i>	118,267	28
<i>Premises and Fixed Assets</i>	8,550	2
<i>Other Assets</i>	4,375	1
<i>Total Assets</i>	426,236	100

The composition of loans as of December 31, 2004 is depicted in Table 2.

<b>Table 2 – Report of Loans as of December 31, 2004</b>		
<b>Loans</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans (%)</b>
<i>Construction and Land Development</i>	<i>18,120</i>	<i>7</i>
<i>Secured by Farmland</i>	<i>1,469</i>	
<i>1-4 Family Residential</i>	<i>47,725</i>	<i>18</i>
<i>Multi-Family (5 or more) Residential</i>	<i>845</i>	
<i>Commercial</i>	<i>92,215</i>	<i>34</i>
<b>Total Real Estate Loans</b>	<b>160,374</b>	<b>59</b>
<i>Commercial and Industrial</i>	<i>77,316</i>	<i>28</i>
<i>Agricultural</i>	<i>11,005</i>	<i>4</i>
<i>Consumer</i>	<i>18,667</i>	<i>7</i>
<i>Other</i>	<i>4,466</i>	<i>2</i>
<i>Less: Unearned Income</i>	<i>1</i>	
<b>Total Loans</b>	<b>271,828</b>	<b>100</b>

Source: Report of Condition

The bank operates in an aggressive environment with over 100 commercial banks, credit unions, mortgage companies, and pay-day check cashing service companies. Pricing of loan and deposit products is very competitive. These lenders include banks, mortgage companies, and credit unions. There are no legal or financial impediments that prevent Sabine State Bank and Trust Company from meeting assessment area credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The assessment area delineation is in conformance with the CRA regulation and comprises 46 census tracts from the Alexandria, LA MSA(39) and Shreveport, LA MSA(7), as well as 83 census tracts in the Louisiana non-MSA areas and 3 census tracts in the Texas non-MSA areas that total 132 census tracts. The assessment area consists of 3 low- (2 percent), 26 moderate- (20 percent), 83 middle- (63 percent), and 20 upper-income (15 percent) census tracts. Only 16 percent of the population, within the assessment area, resides within low- and moderate-income (LMI) tracts.

## Demographic and Economic Data

The total assessment area population from the 2000 U.S. Census is 545,865 comprised of 200,025 households, of which 33,422 are designated as either low- or moderate-income, representing 18 percent.

Table 3 presents additional demographic and economic data concerning the assessment area.

<b>Table 3 – Demographic &amp; Economic Characteristics of the Assessment Area</b>	
<b><u>Population By Area:</u></b>	
Complete Assessment Area:	545,865
De Soto Parish-Shreveport MSA:	25,494
Grant and Rapides Parish-Alexandria MSA:	145,035
LA Non MSA Area:	364,867
TX Non MSA Area:	10,469
<b><u>MSA Median Family Income:</u></b>	
2003 Median Family Income - Shreveport MSA	47,600
2003 Median Family Income - Alexandria MSA	43,500
2003 Median Family Income – LA Non MSA	39,400
2003 Median Family Income – TX Non MSA	41,200
2004 Median Family Income - Shreveport MSA	47,500
2004 Median Family Income - Alexandria MSA	42,600
2004 Median Family Income -TX Non MSA	42,000
2004 Median Family Income – LA Non MSA	38,500
<b><u>% of Households by Income Level:</u></b>	
Low-Income	27%
Moderate-Income	14%
Middle-Income	17%
Upper-Income	42%
<b><u>Number of Total Housing Units:</u></b>	
1-4 Family Residential	173,393
Multi-Family	10,346
Mobile Homes or Other	50,341
Owner-Occupied Housing Units	141,818
Rental Housing Units	58,037
Vacant Housing Units	35,591
<b><u>% of Total Housing Units:</u></b>	
1-4 Family Residential	74%
Multi-Family	4%
Mobile Homes or Other	21%
Owner-Occupied Housing Units	60%
Rental Housing Units	25%
Vacant Housing Units	15%

\* This figure is based on estimates from the Department of Housing and Urban Development (HUD).



Table 4 presents business and economic data.

<b>Table 4 –Business Data &amp; Economic Characteristics of the Assessment Area</b>	
<b>Business Data:</b>	
Total Businesses:	12,940
Total Businesses Reporting Revenues Greater Than \$1,000,000:	590
Total Businesses Reporting Revenues Less Than \$1,000,000:	7,351
Total Business Not Reporting or With Unknown Revenues:	4,999
<b>Leading Industries:</b>	Manufacturing Retail Trade
<b>Largest Employers by Number of Employees:</b>	Parish School Systems(16 parishes) Colleges and Universities International Paper Company Boise Cascade Corporation
<b>*Unemployment Rates:</b>	
Shreveport, LA MSA	4.7%
Alexandria, LA MSA	4.7%
LA Non MSA	4.8%
TX Non MSA	5.2%

Figures are based on estimates from the Louisiana Economic Data. \* 2000 US Census Data

### Assessment Area's Composition

Table 5 presents selected housing characteristics for the assessment area.

<b>Table 5 – Selected Housing Characteristics by Income Category of the Geography</b>									
<b>Geographic Income Category</b>	<b>Percentage</b>						<b>Median</b>		
	<b>Census Tracts</b>	<b>House-holds</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	<b>Age* Yrs</b>	<b>Home Value*</b>	<b>Gross Rent**</b>
<b>Low</b>	2	1	1	1	2	1	45	27,527	319
<b>Moderate</b>	20	16	15	13	23	13	31	44,450	336
<b>Middle</b>	63	65	67	68	61	76	27	53,809	391
<b>Upper</b>	15	18	17	18	14	10	24	86,093	452
<b>Total</b>	100	100	100	100	100	100	27	58,718	386

Source: 2000 U.S. Census, \* - Owner-Occupied Units, \*\* - Renter-Occupied Units

## Louisiana Non-MSA Parishes

The following parishes comprised the largest portion of the assessment area: Allen, Avoyelles, Beauregard, Bienville, Evangeline, Jackson, LaSalle, Lincoln, Natchitoches, Red River, Sabine, Vernon, and Winn. Thirty-three of the forty-one branch offices and forty-eight of the fifty-seven ATMs are located in the aforementioned parishes. The population and non-MSA median family incomes for years 2003 and 2004 are detailed on Table 3. Sabine Parish is the headquarters in Many, Louisiana for Sabine State Bank and Trust Company. This parish is home to Boise Cascade Corporation and Willamette Industries, two manufacturing companies.

<b>Table 5a – Selected Housing Characteristics by Income Category of the Geography</b>									
<b>Geographic Income Category</b>	<b>Percentage</b>						<b>Median</b>		
	<b>Census Tracts</b>	<b>House-holds</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	<b>Age* Yrs</b>	<b>Home Value*</b>	<b>Gross Rent**</b>
<b>Moderate</b>	15	11	12	9	19	9	30	45,241	331
<b>Middle</b>	72	75	75	76	69	81	26	50,994	382
<b>Upper</b>	13	14	14	15	12	10	25	76,540	402
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>27</b>	<b>54,276</b>	<b>375</b>

Source: 2000 U.S. Census, \* - Owner-Occupied Units, \*\* - Renter-Occupied Units

## Alexandria, Louisiana MSA – Rapides and Grant Parishes

Grant Parish is a smaller rural parish in central Louisiana. The unemployment rate is approximately 7.8 percent compared to the contagious Rapides Parish with a much larger number of residents and businesses in area. Rapides has a 4.7 percent unemployment rate and some service industries such as Rapides Home Health and St. Francis Cabrini Hospital. The major employers for Grant Parish are Grant Parish School Board and Hunt Forest Products.

<b>Table 5b – Selected Housing Characteristics by Income Category of the Geography</b>									
<b>Geographic Income Category</b>	<b>Percentage</b>						<b>Median</b>		
	<b>Census Tracts</b>	<b>House-holds</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	<b>Age* Yrs</b>	<b>Home Value*</b>	<b>Gross Rent**</b>
<b>Low</b>	7	3	4	2	8	7	45	27,527	319
<b>Moderate</b>	26	18	19	16	27	22	33	43,176	363
<b>Middle</b>	44	47	48	49	42	53	29	62,823	433
<b>Upper</b>	23	31	29	33	23	18	23	95,199	513
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>28</b>	<b>69,878</b>	<b>423</b>

Source: 2000 U.S. Census, \* - Owner-Occupied Units, \*\* - Renter-Occupied Units

## Shreveport, Louisiana MSA – De Soto Parish

De Soto Parish is a rural area that is approximately 30 miles from Shreveport, Louisiana. Six cities comprise this parish. The unemployment rate is 4.6 percent. The major employers include Boise Cascade Corporation and Willamette Industries with manufacturing as the main trade.

<b>Table 5c – Selected Housing Characteristics by Income Category of the Geography</b>									
<b>Geographic Income Category</b>	<b>Percentage</b>						<b>Median</b>		
	<b>Census Tracts</b>	<b>House-holds</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	<b>Age* Yrs</b>	<b>Home Value*</b>	<b>Gross Rent**</b>
<b>Moderate</b>	57	51	53	50	59	57	28	44,534	274
<b>Middle</b>	43	49	47	50	41	43	23	63,621	398
<b>Total</b>	100	100	100	100	100	100	26	53,473	329

Source: 2000 U.S. Census, \* - Owner-Occupied Units, \*\* - Renter-Occupied Units

## Texas Non-MSA County – Sabine County

This county is very rural and sparsely populated. Businesses are fairly non-existent in this area.

<b>Table 5c – Selected Housing Characteristics by Income Category of the Geography</b>									
<b>Geographic Income Category</b>	<b>Number</b>						<b>Median</b>		
	<b>Census Tracts</b>	<b>House-holds</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	<b>Age* Yrs</b>	<b>Home Value*</b>	<b>Gross Rent**</b>
<b>Middle</b>	100	4,494	7,659	50	8	42	23	46,918	314
<b>Total</b>	100	4,494	7,659	50	8	42	23	46,918	314

Source: 2000 U.S. Census, \* - Owner-Occupied Units, \*\* - Renter-Occupied Units

## Community Contacts

A local community contact felt this bank was very involved in the community in all areas of lending. They also stated that the numerous businesses in the area continue a steady annual growth primarily in the small business markets. Additionally, contact indicated the need for more economic development in many of the rural areas to promote more new jobs that can revitalize the area. However, a need for affordable housing was another area requiring growth.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

#### ***Overall Conclusion***

Sabine State Bank and Trust Company exhibited good performance under the Lending Test. A strong record of community development lending and a good record of affording loans to businesses of different sizes primarily support this rating. The bank exhibited a satisfactory performance for each of the remaining factors reviewed under this test. Appendix D lists all of the criteria used to evaluate the Lending Test.

#### ***Loan Review***

Examiners reviewed loans reported pursuant to the HMDA and CRA data collection requirements for 2003 and 2004. Examiners relied on the review of small business and residential mortgage loans when arriving at conclusions for this test. Since farm loans represented 5 percent of total loans, examiners did not include them in the review. More weight was placed on small business lending since this product comprises the bulk of the loan portfolio at 62 percent. The bank's HMDA lending products are primarily through refinancing with home improvement and home purchases products comprising a lesser focus. Since residential lending is a minor focal point for bank lending, the individual lending product comparisons will not be presented, only the total HMDA percentages. The current year-to-date information for 2005 was not included in the review due to the limited volume of data available for review. Aggregate performance data is not available for 2004, so the bank's lending performance for that year will only be analyzed and discussed, and not presented in table format. Importantly, because of the minimal volume of loans and deposits in both of the Louisiana MSAs, all lending in the MSAs and Louisiana non-MSA areas will be combined for analysis. Lending in the Texas Non-MSA was also minimal and is not included in this analysis.

#### **Lending Activity and Assessment Area Concentration**

The bank demonstrated an excellent record with respect to lending activity and assessment area performance factors. The bank's records for both its lending activity and its lending inside the assessment area are at exceptionable levels and support the conclusion.

The bank's volume of lending activity related to home mortgage, small business, and small farms is solid and they are ranked as the top two leaders in their market. For the 2003 and 2004 fiscal years based on the bank's reporting criteria, the bank extended a total of 4,516 loans aggregating \$366,196,000 comprised of: \$155,836,000 home mortgage loans; \$190,326,000 small business loans; and \$20,034,000 in small farm loans. Based on small business peer data for 2003, the bank ranks second out of 51 business lenders and holds a market share of 9.87 percent based on number of loans. However, based on dollar volume, the bank ranks first with a total dollar amount of loans extended of \$78,767,000 denoting a market share of 26.89 percent. HMDA data for 2003 reflects the bank in second position out of 266 lenders with a market share of 6.16

percent based on number of loans and a 6.20 market share based on dollar volume. This clearly indicates that the bank is a leader in the small business and mortgage market in their assessment area.

Table 6 denotes both residential and small business lending by number and dollar volume from 2003 to 2004. The decrease in residential lending is attributed to an increase in business lenders in the market and changes in the interest rate environment affecting refinancing options that is the bank's main HMDA product. Given the considerations above, the total data reflects a solid level of performance.

<b>Table 6 - Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans \$(000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Home Mortgage</b>										
<b>2003</b>	1,161	94	73	6	1,234	91,041	93	6,656	7	97,697
<b>2004</b>	725	95	40	5	765	55,562	96	2,577	4	58,139
<b>Subtotal</b>	1,886	94	113	6	1,999	146,603	94	9,233	6	155,836
<b>Small Business</b>										
<b>2003</b>	975	92	39	8	1,014	78,767	92	7,079	8	85,848
<b>2004</b>	1,175	94	80	6	1,255	94,201	90	10,277	10	104,478
<b>Subtotal</b>	2,150	95	119	5	2,269	172,968	91	17,356	9	190,326
<b>Small Farm</b>										
<b>2003</b>	102	99	1	1	103	8,505	99	177	1	8,682
<b>2004</b>	142	98	3	2	145	11,152	98	200	2	11,352
<b>Subtotal</b>	244	98	4	2	248	19,657	98	377	2	20,034
<b>TOTAL</b>	<b>4,280</b>	<b>95</b>	<b>236</b>	<b>5</b>	<b>4,516</b>	<b>339,228</b>	<b>93</b>	<b>26,966</b>	<b>7</b>	<b>366,196</b>

Source: HMDA LARs (2003, 2004), and CRA Data Collections (2003, 2004)

### **Geographic Distribution of Lending**

The bank displayed a reasonable record with respect to this performance factor. Reasonable geographic distributions of both small business and residential mortgage loans support this performance. Only loans originated in the assessment area are included in the analyses.

### ***Small Business Lending***

The bank exhibited a reasonable record of distributing small business loans throughout its assessment area. Due to the low number of businesses in the low-income tracts, examiners focused on the total percentage by number of loans in moderate-income geographies relative to the aggregate figure when arriving at the conclusion.

Tables 7 and 8 below, detail geographic distribution of small business loans by number and dollar volume, respectively, within the assessment area. By number and dollar volume of loans, the bank's total percentage for moderate-income tracts is slightly higher than the aggregate figure. This performance is considered satisfactory.

<b>Table 7 – Distribution of Small Business Loans by Income Category of the Census Tract</b>				
<b><i>Census Tract Income Level</i></b>	<b><i>% of Businesses</i></b>	<b><i>Aggregate Lending Data (% of #)</i></b>	<b><i>2003</i></b>	
		<b><i>2003</i></b>	<b><i>#</i></b>	<b><i>%</i></b>
<b><i>Low</i></b>	<b><i>4</i></b>	<b><i>3</i></b>	<b><i>2</i></b>	
<b><i>Moderate</i></b>	<b><i>20</i></b>	<b><i>17</i></b>	<b><i>175</i></b>	<b><i>18</i></b>
<b><i>Middle</i></b>	<b><i>54</i></b>	<b><i>53</i></b>	<b><i>730</i></b>	<b><i>75</i></b>
<b><i>Upper</i></b>	<b><i>22</i></b>	<b><i>27</i></b>	<b><i>68</i></b>	<b><i>7</i></b>
<b><i>Total</i></b>	<b><i>100</i></b>	<b><i>100</i></b>	<b><i>975</i></b>	<b><i>100</i></b>

Source: CRA Disclosure Statements & Aggregate Data (2003), and CRA data collection (2003)

<b>Table 8 – Distribution of Small Business Loans by Income Category of the Census Tract</b>				
<b><i>Census Tract Income Level</i></b>	<b><i>Percent of Total Businesses</i></b>	<b><i>Aggregate Lending Data (% of \$)</i></b>	<b><i>2003</i></b>	
		<b><i>2003</i></b>	<b><i>\$(000s)</i></b>	<b><i>%</i></b>
<b><i>Low</i></b>	<b><i>4</i></b>	<b><i>3</i></b>	<b><i>35</i></b>	
<b><i>Moderate</i></b>	<b><i>20</i></b>	<b><i>16</i></b>	<b><i>16,184</i></b>	<b><i>20</i></b>
<b><i>Middle</i></b>	<b><i>54</i></b>	<b><i>52</i></b>	<b><i>54,917</i></b>	<b><i>70</i></b>
<b><i>Upper</i></b>	<b><i>22</i></b>	<b><i>29</i></b>	<b><i>7,631</i></b>	<b><i>10</i></b>
<b><i>Total</i></b>	<b><i>100</i></b>	<b><i>100</i></b>	<b><i>78,767</i></b>	<b><i>100</i></b>

Source: CRA Disclosure Statements & Aggregate Data (2003), and CRA data collection (2003)

Geographic distribution for 2004 reveals a similar performance was achieved of 15 percent by number and 19 percent by dollar volume in the moderate-income census tracts. Consequently, lending performance is reasonable for geographic distribution of small business lending.

## ***Residential Mortgage Lending***

The bank displayed a satisfactory record of distributing residential mortgage loans throughout the different income geographies in its assessment area. Due to the understandably small aggregate lending and housing units in the low-income tract, examiners focused on the total percentage by number and dollar volume of loans in moderate-income geographies relative to the aggregate figure when arriving at the conclusion.

Tables 9 and 10 illustrate the distribution of the bank's originations of one-to-four family home mortgage loans by number and dollar volume. For comparison, the distribution of the assessment area's owner-occupied housing units and aggregate lending data for each census tract income level is also shown. Table 9 shows that the bank's lending by number in moderate-income tracts are slightly higher than the performance of aggregate lenders.

<b>Table 9 – Distribution of HMDA Loans by Income Category of the Census Tract</b>				
<b>Census Tract Income Level</b>	<b>% Total Owner- Occupied Housing Units</b>	<b>Aggregate Lending Data (% of #)</b>	<b>2003</b>	
		<b>2003</b>	<b>#</b>	<b>%</b>
<b>Low</b>	1			
<b>Moderate</b>	14	10	153	13
<b>Middle</b>	64	58	820	71
<b>Upper</b>	21	34	188	16
<b>Total</b>	<b>100</b>	<b>100</b>	<b>1,161</b>	<b>100</b>

Source: U.S. Census, HMDA Disclosure Statements & Aggregate Data (2003)

As displayed in Table 10, the distribution of HMDA loans by dollar volume reflects results similar to those depicted in Table 9. The bank's volume of lending in moderate-income tracts is below the percentage of owner-occupied housing units and slightly higher than that of aggregate lenders, who also have percentages less than housing statistics.

<b>Table 10 – Distribution of HMDA Loans by Income Category of the Census Tract</b>				
<b>Census Tract Income Level</b>	<b>% Total Owner- Occupied Housing Units</b>	<b>Aggregate Lending Data (% of \$)</b>	<b>2003</b>	
		<b>2003</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>	1			
<b>Moderate</b>	14	8	10,426	11
<b>Middle</b>	64	49	61,862	68
<b>Upper</b>	21	43	18,753	21
<b>NA</b>				
<b>Total</b>	<b>100</b>	<b>100</b>	<b>91,041</b>	<b>100</b>

Source: 2000 U.S. Census, HMDA Disclosure Statements & Aggregate Data (2003)

In 2004, Sabine State Bank & Trust Company origination percentages were slightly lower than the 2003 percentages in moderate-income tracts of 9 percent by number and 9 percent by dollar volume of loans. However, for both 2003 and 2004 the bank's performance under geographic distribution is considered fully satisfactory.

### **Borrower Characteristics**

Sabine State Bank & Trust Company demonstrated a good level of performance with respect to this factor. A satisfactory record regarding small business lending and a good record regarding residential mortgage lending support the conclusion. Examiners weighed the bank's small business record more heavily when arriving at the conclusion. Only loans extended within the assessment area are included in the analyses.

#### ***Small Business Lending***

The bank displayed a good record of granting small business loans to companies of different sizes. A reasonable distribution by the gross annual revenues of the businesses and an acceptable record by the original loan amounts support the conclusion. Examiners put more weight on the record by gross annual revenues when arriving at the conclusion.

#### **Gross Annual Revenues**

Sabine Bank & Trust Co. demonstrated a good record of disbursing loans to businesses of different sizes based on the gross annual revenue of the business. Examiners focused on the bank's extension of loans to small businesses, by definition, are those loans in amounts of \$1 million or less, and compared that percentage to the aggregate lenders in the assessment area and to the percent of businesses as reported by Dunn and Bradstreet.

Tables 11 and 12 on the following page depict the distribution of Sabine State Bank & Trust Company's lending performance to small businesses based on the entities' gross annual revenues. As Table 11 shows, the bank's total percentage by dollar volume is slightly lower than the aggregate dollar figure. Table 12 shows the bank's performance is much higher than the aggregate lenders by number of loans, and surpasses the number of small businesses operating in the bank's assessment area.



<b>Table 11 – Distribution of Small Business Loans by Gross Annual Revenues of Businesses</b>				
<b>Gross Annual Revenues (000s)</b>	<b>Percent of Businesses</b>	<b>Aggregate Lending Data (% of \$)</b>	<b>2003</b>	
	<b>2003</b>	<b>2003</b>	<b>\$(000s)</b>	<b>%</b>
<b>≤ \$1,000</b>	60	59	40,615	52
<b>&gt; \$1,000</b>	40	41	30,555	39
<b>NA</b>	0		7,597	9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>78,767</b>	<b>100</b>

Source: CRA Disclosure Statements & Aggregate Data (2003) and Dunn & Bradstreet Reports

<b>Table 12 – Distribution of Small Business Loans by Gross Annual Revenues of Businesses</b>				
<b>Gross Annual Revenues (000s)</b>	<b>Percent of Businesses</b>	<b>Aggregate Lending Data (% of #)</b>	<b>2003</b>	
	<b>2003</b>	<b>2003</b>	<b>#</b>	<b>%</b>
<b>≤ \$1,000</b>	60	46	630	65
<b>&gt; \$1,000</b>	40	54	272	28
<b>NA</b>	0		73	7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>975</b>	<b>100</b>

Source: CRA Disclosure Statements & Aggregate Data (2003) and Dunn & Bradstreet Reports

Business lending for 2004 revealed similar performance percentages with 73 percent by number of loans and 54 percent by dollar volume of loans made to small businesses with annual revenues less than \$1 million.

### Original Loan Amount

Sabine State Bank & Trust Company demonstrated a satisfactory record of disbursing loans to businesses of different sizes based on the original amount of the loans. Examiners focused on the total percentage by number and dollar volume of loans relative to the aggregate percentages for the two lower loan-size categories.

As Table 13 below shows, the bank's total percentage by number of loans is less than aggregate percentages for loans of \$100,000 or less. In amounts of \$100,000 to \$250,000, the bank's percentage is higher than aggregate. Table 14 shows similar results, that bank's percentage by dollar volume is lower than that of the aggregate banks for loans of \$100,000 or less and higher than aggregate for the other two loan size groups. The bank's records relative to the presented comparable data reflects a satisfactory level of performance.

<b>Table 13 – Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Size (000s)</b>	<b>2003 Aggregate Lending Data (% of #)</b>		<b>2003</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$100</b>	8,449	93	770	79
<b>&gt; \$100 ≤ \$250</b>	367	4	127	13
<b>&gt; \$250 ≤ 1,000</b>	244	3	78	8
<b>Total</b>	<b>9,060</b>	<b>100</b>	<b>975</b>	<b>100</b>

Source: CRA Analyzer, CRA Disclosure Statements & Aggregate Data (2003), and CRA data collection (2003)

<b>Table 14- Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Size (000s)</b>	<b>2003 Aggregate Lending Data (% of \$)</b>		<b>2003</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>≤ \$100</b>	108,323	38	25,205	32
<b>&gt; \$100 ≤ \$250</b>	61,265	21	17,329	22
<b>&gt; \$250 ≤ 1,000</b>	117,031	41	36,233	46
<b>Total</b>	<b>286,619</b>	<b>100</b>	<b>78,767</b>	<b>100</b>

Source: CRA Analyzer, CRA Disclosure Statements & Aggregate Data (2003), and CRA data collection (2003)

The bank's record of lending by loan size for 2004 is slightly higher than the 2003 performance with 86 percent of the number of loans and 34 percent of the dollar volume was for amounts less than \$100 thousand.

### ***Residential Mortgage Lending***

Sabine State Bank & Trust Company achieved a good record of distributing residential mortgage loans among borrowers of different incomes. Examiners focused on the bank's total percentages by number and dollar volume of loans to low- and to moderate-income borrowers relative to the aggregate data when arriving at the conclusion. The U.S. Department of Housing and Urban Development (HUD) issues annual estimates that update median family income figures within certain areas. The HUD-estimated Median Family Income (MFI) for the Shreveport, Louisiana and Alexandria, Louisiana metropolitan statistical area (MSA) for 2003 are \$47,600 and \$43,500, respectively. Most of the lending was in the Non-MSA areas with the Median Family Income of \$39,400. Using the percentages noted in the tables, the applicable MFIs are then used to determine the income ranges.

<b>Table 14 - Median Family Income Data for 2003</b>		
<b>Income Level</b>	<b>Percent of MFI</b>	<b>Income Range</b>
<i>Low</i>	<i>Less than 50%</i>	<i>Less than \$19,700</i>
<i>Moderate</i>	<i>50% to 80%</i>	<i>\$19,700 to less than \$31, 520</i>
<i>Middle</i>	<i>80% to 120%</i>	<i>\$31,520 to less than \$47,280</i>
<i>Upper</i>	<i>120% and over</i>	<i>\$47,280 and over</i>

*U.S. Housing and Urban Development*

Tables 15 and 16 contain the data regarding assessment area lending to borrowers of different incomes. Distribution of assessment area households by income level and aggregate lending data are shown for comparison. As displayed in Table 15 and 16, by number of loans and amount, the bank's total percentages by the low- and to moderate-income borrowers slightly trails aggregate figures.

<b>Table 15 – Distribution of HMDA Loans by Income Category of the Borrower</b>				
<b>Census Tract Income Level</b>	<b>Percent of Families</b>	<b>Aggregate Lending Data (% of #)</b>	<b>2003</b>	
		<b>2003</b>	<b>#</b>	<b>%</b>
<i>Low</i>	23	5	56	5
<i>Moderate</i>	16	12	122	11
<i>Middle</i>	19	21	265	23
<i>Upper</i>	41	47	703	60
<i>NA</i>		15	15	1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>1,161</b>	<b>100</b>

*Source: U.S. Census, HMDA Disclosure Statements & Aggregate Data (2003)*

<b>Table 16 – Distribution of HMDA Loans by Income Category of the Borrower</b>				
<b>Census Tract Income Level</b>	<b>Percent of Families</b>	<b>Aggregate Lending Data (% of \$)</b>	<b>2003</b>	
		<b>2003</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>	24	2	1,632	2
<b>Moderate</b>	16	8	5,793	6
<b>Middle</b>	19	16	16,983	19
<b>Upper</b>	41	55	63,794	70
<b>NA</b>		19	2,839	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>91,041</b>	<b>100</b>

Source: U.S. Census, HMDA Disclosure Statements & Aggregate Data (2003)

In 2004, these percentages are comparable to the 2003 performance; by both dollar volume and number. Overall, performance under this function is considered good.

### **Community Development Lending**

*The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.*

Sabine State Bank & Trust Company (SSB) has demonstrated a strong record of extending community development loans in the bank's assessment area since the last performance evaluation. Considering the bank's favorable lending opportunities in the community served, the bank's responsiveness and leadership role in providing community development lending is considered strong. The majority of community development loans made by SSB have targeted activities that help to attract or retain businesses and residents in low- or moderate-income geographies (LMI). The bank lending activities has helped to support permanent job creation or retention within moderate-income geographies in the bank's assessment area. Additionally, the bank's community development lending has occurred in areas targeted for redevelopment by federal government agencies. That is, a majority of the lending was originated to businesses operating within designated SBA's HUB Zone or HUD Renewal Community Zones.

Community development loans for SSB total \$27,189,000 comprised of 10 loans to business entities primarily for revitalizing and stabilizing LMI geographies, two loans to city governments for community improvements, and one loan to a not-for-profit organization for affordable housing. A brief description of SSB's community development lending is depicted below:

‡ A business loan for \$1,761,000 with the funds used for the construction and permanent financing of a truck stop facility located in a moderate-income tract. Activity represents establishment of new business in an economically depressed area that serves LMI individuals and revitalizes and supports local economy, especially by the creation of approximately 13 full time positions.

‡ Two business lines of credit to different companies for \$9,000,000 were extended for operating expenses relating to the forestry industry within the bank's community area. Activities are located within a moderate-income tract and help revitalize and stabilize the area through supporting permanent job creation and retention.

‡ Three business loans representing lines of credit totaling \$3,705,000 for supporting operations of company engaged in the tie and limber industry. The activity revitalizes and stabilizes economic area by creating and retaining approximately 25 full time jobs and supporting local service providers and vendors in lumber mill industry that is the main agricultural product in the bank's assessment area.

‡ A line of credit extended for \$2,000,000 extended to a tractor company engaged in providing logging equipment and services to forestry related industry. Company provided training and skill development in relation to sales, welding, equipment repair, and mechanics to individuals primarily situated in a moderate-income tract. As such, the activity revitalizes and stabilizes moderate-income areas within the bank's assessment area.

‡ A loan extended for \$1,904,000 for the permanent financing and construction of a resort hotel and conference center located in a middle-income tract adjacent to two moderate-income tracts within the bank's assessment area. Activity revitalizes and stabilizes the community by providing job creation and retention to approximately 140 full time individuals from the community primarily from the moderate-income tract. The activity has an economic impact on the bank's assessment area in that it attracts visitors, tourists, and business personnel that help support local establishments and thereby provide stability to area.

‡ Two loans representing lines of credit for the operation of a mortgage company that originates approximately 42 percent of their loans to LMI families within the bank's assessment area. The activity totaled \$2,500,000 and the focus of the mortgage company is specializing in lending that is typically not available to LMI individuals through traditional financing sources.

‡ A \$30,000 unsecured loan provided to not-for-profit organization for funding expenses. Organization provides transitional housing to homeless, unemployed, low-income, and individuals with history of incarceration while community resources are mobilized to assist their return to mainstream society.

‡ Two loans extended to the Town of Zwolle that is in a moderate-income tract for the financing of sewage lines and construction of a community park. The activity totals \$249,000 and is within the bank's assessment area.

‡ A \$3,000,000 loan extended to a new business for funding operating expenses and equipment purchases. Company provides training and skill development primarily to LMI individuals in areas of welding, equipment repair, and mechanics that provide employment opportunities in the area. Activity revitalizes and stabilizes the area by retaining and employing approximately 43 individuals.

‡ Two loans extended for health services totaling \$3,040,000. One loan was for construction and equipment purchases for hospital providing services in rural community to LMI individuals. The second loan to different company was for construction of health care facility also in rural area. Although both facilities are in middle-income tracts, the services provided are primarily to LMI individuals. Both loans help to stabilize economic area within the bank's assessment area by providing jobs and services.

Several additional community development type loans were extended that clearly supports the lending focus of SSB. Three small business loans totaling \$192,000 were extended for community development but are reported under small business and HMDA lending in report. There were also two loans aggregating \$4,170,000 for the construction and operation of several hotels located in the bank's assessment area extended in 2002. Loans helped stabilize the area through job creation and retention. In addition, a SBA loan was extended in 2002 for \$1,100,000 under the Certified Development Company program.

Overall, the community development lending of SSB for the performance period is solid. Management makes a good effort at providing business loans to enterprises that will enhance and support community development and particularly supporting job creation for moderate-income individuals.

### **Innovative and Flexible Lending Practices**

*The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product in serving low- and moderate-income borrowers including the number and dollar volume of loans originated during the review period.*

SSB's displayed a satisfactory record in the use of innovative and flexible lending practices in meeting the bank's assessment area credit needs. The bank's use of innovative and flexible lending products is primarily concentrated in its lending programs tailored for rural development. The bank has established relaxed lending standards or requirements for rural development loans that include low- to moderate-income considerations, 30 year financing, no private mortgage insurance, and financing of 100 percent of appraised value. SSB also utilizes community lending programs sponsored by Fannie Mae that include favorable lending guidelines for teachers, firefighters, policeman, and Native Americans.

SSB participates in other flexible lending programs such as Fannie Mae 97 mortgage program, Small Business Administration 504 program for businesses, Veterans Administration mortgage

lending programs, and Federal Housing Administration mortgage loan programs. During the review period and particularly in 2003 and 2004, the bank originated 85 loans totaling \$6,567,000, and 85 loans aggregating \$6,798,000 for 2003 and 2004, respectively, in above mentioned lending programs. SSB's success in serving LMI borrowers by number and dollar volume utilizing specialized lending programs is at a good level and speaks well for meeting community lending needs.

## **INVESTMENT TEST**

*The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.*

Sabine State Bank & Trust Company demonstrates a reasonable responsiveness to qualified investments considering the moderate opportunities of the assessment area. The institution's dollar amount of qualified investments and responsiveness to community development needs is good. However, the use of innovative products and degree to which the qualified investments are not routinely provided by private investors is considered acceptable.

Overall, the bank's qualified investments aggregated \$6,637,000. This figure represents 1.6 and 21.5 percent of the bank's total assets and equity capital, respectively, as of December 31, 2004.

Qualified investments are concentrated in general obligation bonds of four school districts that serve a majority of low- and moderate-income students. Funds were used for capital improvements and/or operating expenses of the school districts. The balance of the qualified investments is in donations and grants to charitable organizations and total \$76,000 for the years 2002 through 2004.

Although the bank has not taken a leadership role in investment projects or innovative/complex programs, the amount and responsiveness to community development is clearly satisfactory.

## **SERVICE TEST**

Sabine State Bank & Trust Company demonstrates a high satisfactory overall performance with regard to the Service Test. A good record of providing community development services on top of a satisfactory record of providing retail banking services support the rating. Appendix D enumerates the criteria used to evaluate this test.

### ***Retail Banking Services***

Supported primarily by its alternative delivery systems offered and its range of services offered, the bank demonstrated a satisfactory record of delivering retail banking services.

### ***Distribution of Branches***

The bank's branches are thoroughly distributed throughout the assessment area with forty-one branch offices and fifty-seven automated teller machines. Eight branch offices and twelve off-site ATMs are located in the moderate income tracts. All remaining offices are located in either middle- or upper-income areas. As previously noted, the assessment area has only three low-income census tract and 26 moderate-income tracts. The offices' locations allow easy accessibility to all segments of the bank's assessment area.

### ***Record of Opening/Closing of Branches***

There have been no office openings or closures since the prior exam.

### ***Alternative Delivery Systems***

Sabine State Bank & Trust Company provides a satisfactory level of alternative delivery systems. Other than phone banking, the systems are not necessarily conducive to use by low- or moderate-income areas or individuals.

The bank's web site offers a variety of products, services, and information to consumer and commercial customers. Consumers can view their account balances, account histories, transfer funds, pay bills, change addresses, order checks, request stop payments, and purchase savings bonds. On-line banking is also available to commercial customers with similar features. In addition, trust and investment services are available on-line. The bank also offers financial calculation services on line.

A 24-hour phone banking service is available at no charge. Available features include accessing deposit account balances and account activity, ordering checks, accessing loan account information, transferring funds, and obtaining deposit and loan interest rates.

### ***Range of Services***

The bank provides a satisfactory range of services. All offices are full-service facilities that offer a complete line of banking products and services. Additional off-site ATMs are located at each branch office with additional ATMs available throughout the assessment area. Lobby hours are reasonable with extended hours on Saturdays to most of the forty-one branches.



## ***Community Development Services***

The bank exhibited an excellent record of providing community development services. Each of the criteria used to evaluate this performance factor supports the conclusion. Appendix D lists the criteria used.

An example of the bank's innovative community development services is its implementation of the Money Smart Program. The bank's introduction of Money Smart to the Literacy Council engaging the outreach efforts of the council with program participants throughout the bank's assessment area. The bank leads the effort to introduce the concept of the money smart program to the un-banked portion of the population and provides the expertise and funding in teaching and providing materials to participants.

In addition to innovative community development services, Table 17 shows the extensiveness of these services offered and used. The number of services provided reflects the bank's responsiveness to available opportunities. Examiners determined that each of the services noted below primarily benefit low- or moderate- income areas or individuals, either by the organization's mission or by the actual beneficiaries. Similarly, the bank provides financial services in each of the instances noted.

<b>Table 17 - Community Development Services</b>			
<b>Brief Service Description</b>	<b>Bank Sponsored Event, Program, or Seminar</b>	<b>Technical Assistance, Director Involvement, or Bank Employee</b>	<b>Bank Product or Service</b>
Homeownership Fair – Annual education program to prepare citizens for first time buyer homeownership. The program is co-sponsored by the City of Alexandria, Ruston Housing Authority, Natchitoches City Housing Authority, and the Department of Housing and Urban Development.	X		
Small Business Seminars- to provide information to Small Business owners & potential entrepreneurs about the requirements to acquire a small business loans. This program is co-sponsored with Northwestern State University Business Development Center.	X	X	
Community Fair – The bank participates in the annual affordable housing event and teaches classes scheduled periodically throughout the year in Sabine Parish and Natchitoches Parish.	X	X	
Literacy Council – Money Smart - The bank has partnered with the literacy council to teach financial education to those who historically have no knowledge of banking products and services. The bank funds the course and provides and serves as expert instructors when needed.	X	X	X

*Source: Bank Records*

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

No violations of a substantive nature of the provisions of antidiscrimination laws and regulations were identified.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ALEXANDRIA, LA METROPOLITAN STATISTICAL AREA**

The small amount of loans and deposits recorded in this MSA prevented a full analysis. The performance was measured in conjunction with the bank's non-MSA areas performance. However, the limited review of the bank's performance concluded that the bank's activities were consistent with performance for the bank as a whole. No anomalies were noted in the data reviewed.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SHREVEPORT – BOSSIER CITY, LA METROPOLITAN STATISTICAL AREA**

The small amount of loans and deposits recorded in this MSA prevented a full analysis. The performance was measured in conjunction with the bank's non-MSA areas performance. However, the limited review of the bank's performance concluded that the bank's activities were consistent with performance for the bank as a whole. No anomalies were noted in the data reviewed.

### **STATE OF TEXAS NON-METROPOLITAN STATISTICAL AREA**

Due to the number of branches and the nominal lending and deposit activity in this rural area, a rating was not assigned. Performance was insignificant to be measured.

## APPENDIX A

### SCOPE OF EXAMINATION:

<b>Sabine State Bank and Trust Company</b>
<b>SCOPE OF EXAMINATION:</b> Large Bank CRA Evaluation pursuant to procedures effective January 1997.
<b>TIME PERIOD REVIEWED:</b> Calendar years 2003 and 2004
<b>PRODUCTS REVIEWED:</b> HMDA Loans and Small Business Loans

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
NA		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
132 Census Tracts within the Louisiana MSAs/Non-MSAs and Texas Non-MSA	On-Site	Main	NA

## APPENDIX B - GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## APPENDIX C - INVESTMENT DEFINITIONS

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.



## **APPENDIX D - STANDARD PE LANGUAGE**

### **LENDING TEST**

#### **Scope of Test**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

#### **Community Development Lending:**

##### **Performance Criteria**

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

#### **Innovative and Flexible Lending Practices:**

##### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

## **INVESTMENT TEST**

### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.